

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

HEARING #11-11177

FEBRUARY 22, 2011

2:30 P.M.

ALLOWABLE EX PARTE BRIEFING

REQUESTED BY FRONTIER COMMUNICATIONS OF THE CAROLINAS, INC., AND FRONTIER COMMUNICATIONS ONLINE & LONG DISTANCE, INC. [REFERENCE DOCKET 2009-220-C] - Update on the Status of the Transition Since July 1, 2010, with Emphasis on Broadband Investments Made to Date in Frontier Operating Exchange and Future Broadband Plans for 2011

**TRANSCRIPT OF
PROCEEDINGS**

COMMISSIONERS PRESENT: John E. 'Butch' HOWARD, *CHAIRMAN*, David A. WRIGHT, *VICE CHAIRMAN*; and COMMISSIONERS Elizabeth B. 'Lib' FLEMING, G. O'Neal HAMILTON, Randy MITCHELL, Swain E. WHITFIELD, and Nikiya 'Nikki' HALL

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APPEARANCES:

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Please note: PowerPoint presentation and handouts attached hereto.

P R O C E E D I N G S

CHAIRMAN HOWARD: Please be seated.

We'll call this allowable ex parte communication briefing to order and I will ask Attorney Melchers to read the docket. Attorney Melchers.

MR. MELCHERS: Thank you, Mr. Chairman.

Commissioners, we are here pursuant to a request for an allowable ex parte briefing made by Frontier Communications of the Carolinas, Inc., and Frontier Communications Online & Long Distance, Inc., scheduled for February 22, 2011, at 2:30 p.m., here in the Commission's hearing room.

The subject matter to be discussed at the briefing is: Update on the status of the transition since July 1, 2010, with emphasis on broadband investments made to date, in Frontier's operating exchanges, and future broadband plans for 2011.

Thank you, Mr. Chairman.

CHAIRMAN HOWARD: Mr. Hamm, I believe you represent Frontier?

MR. HAMM: Probably, I do. Yes, I do.

Members of the Commission, good afternoon. It's very good to see all of you all. We do appreciate this opportunity to avail ourselves of the

1 statutory ability to make an ex parte presentation
2 to you. As you all will recall, you approved by --
3 you can't hear me.

4 **MR. MELCHERS:** Your friend Randall can't.

5 **MR. HAMM:** Can you hear me, Randall?

6 [Laughter]

7 Let me try again. How am I doing now?

8 **MR. MELCHERS:** Great.

9 **MR. HAMM:** In all of my career, I can't
10 remember very many times when people said they
11 couldn't hear me. I think I have a better
12 recollection of when they were sorry that they
13 could.

14 But on a more serious note, what we're going
15 to do is we have some presentations to make to you.
16 As the Commission will recall, you issued an order
17 on October 29, 2009, approving the transaction from
18 Verizon to Frontier. This Commission issued the
19 first regulatory order in the United States
20 beginning that process. We had a hearing. We made
21 presentations and this Commission made a lot of
22 inquiries during the course of that presentation.
23 So we're going to provide for a presentation by
24 John Swallow, who is the vice president and general
25 manager for North and South Carolina. You'll be

1 happy to know -- and we were talking about it
2 before we got started -- he lives and his office is
3 in Myrtle Beach, South Carolina, so we have a key
4 leadership team member right here in South
5 Carolina, which was, as I recall, an issue that the
6 Commission asked during the course of the hearing.

7 You all know Stan Pace, who was handling the
8 regulatory responsibilities here in South Carolina
9 and in other jurisdictions. And you all also know
10 Afton Ellison, who is the senior analyst and
11 handles the office here in Columbia.

12 Also present is my law partner, Jo Anne Hill.
13 But with that, I will turn, Mr. Chairman, the
14 presentation over to Mr. Swallow.

15 **VICE CHAIRMAN WRIGHT:** Mr. Chairman, before
16 you do that, could I --

17 **CHAIRMAN HOWARD:** Commissioner Wright.

18 **VICE CHAIRMAN WRIGHT:** Mr. Hamm, just before
19 we get started, I just wanted to tell you I ran
20 into a couple of people from your past --

21 **MR. HAMM:** Uh-oh.

22 **VICE CHAIRMAN WRIGHT:** -- that wanted me to
23 tell you hello, and I did not know I'd have this
24 opportunity to see you, so -- Sonny Popowski.

25 **MR. HAMM:** Oh, yes.

1 **VICE CHAIRMAN WRIGHT:** And John Anderson.

2 **MR. HAMM:** Well, very good.

3 **VICE CHAIRMAN WRIGHT:** So --

4 **MR. HAMM:** Isn't it nice --

5 **VICE CHAIRMAN WRIGHT:** -- from a previous
6 life.

7 **MR. HAMM:** Well, in a previous life, and even
8 better than that, that we're all here to know that.
9 So I hope all of you are having a blessed time.
10 I'm enjoying every day that the Lord is giving me.

11 **CHAIRMAN HOWARD:** Well, I'm impressed that you
12 do have two friends, Mr. Hamm.

13 [Laughter]

14 **MR. HAMM:** I'm going to resist the urge to say
15 anything.

16 [Laughter]

17 [Reference: PowerPoint Slide 1]

18 **MR. SWALLOW:** Thank you, Steven. And thank
19 you for allowing us to meet with you this afternoon
20 and to present and discuss the new Frontier.

21 [Reference: PowerPoint Slide 2]

22 Today what I'd like to do is talk to you and
23 inform you about Frontier Communications, the
24 company, talk to you about some of our key
25 priorities and our values, and most importantly,

1 talk to you about our -- give you an update on our
2 broadband expansion in the State of South Carolina.
3 And we are very anxious, after the presentation, to
4 answer any questions that you may have about
5 Frontier or about our future plans in the State of
6 South Carolina.

7 [Reference: PowerPoint Slide 3]

8 Frontier Communications is now 14,000
9 employees strong. We are in 27 states and we have
10 more than 4 million customers. We're very proud to
11 be the largest rural communications provider in the
12 United States. We're equally proud to say that we
13 are a 100 percent US-based workforce and we're
14 increasing capital investments in our new markets
15 by more than 60 percent.

16 [Reference: PowerPoint Slide 4]

17 I wanted to share a little bit as far as how
18 Frontier Communications is structured across the
19 country. There are five regions, and North and
20 South Carolina -- which I'm responsible for -- are
21 part of the Southeast Region. The Carolinas are
22 managed out of Myrtle Beach, South Carolina, which
23 is where my office is. In that facility we have
24 salespeople, we have marketing people, engineers,
25 construction, et cetera, and we manage our entire

1 Carolina business out of Myrtle Beach.

2 Our commitment to the Carolinas is to improve
3 our networks, which we will discuss today, to
4 aggressively deploy high-speed Internet, which we
5 will discuss and get into some specifics about what
6 we've done over the last six months. We are
7 committed to understanding our customers and
8 providing the best possible experience that we can
9 to our customers in the Carolinas and South
10 Carolina. We are aggressively partnering with
11 local communities, Chamber-of-Commerces, various
12 organizations. One of our key strategies that we
13 believe makes us successful is that we are a large
14 national company, but we act very much like a local
15 company and engage as much as possible in the
16 community. That's the Frontier model that we had
17 used -- that Frontier had used prior to the Verizon
18 acquisition, and it's the same model that we're
19 using now in the Carolinas. So you will see an
20 awful lot in communities, as far as Frontier
21 Communications, their employees engaging actively
22 and being very much a part of the community.

23 And the other thing we're doing, aggressively
24 trying, is to create a brand awareness for Frontier
25 Communications. We're advertising heavily. We're

1 promoting our products in the media, direct mail,
2 and we're trying to get the Frontier brand out as
3 much as we possibly can in South Carolina.

4 [Reference: PowerPoint Slide 5]

5 Very quickly, the way we run our company is we
6 try to keep it incredibly simple so we can focus on
7 the important things, and we do that by focusing on
8 our three key priorities, and those are our people
9 priorities, which are to inspire the best
10 performance we can in our people; our product
11 priorities, which are to provide the ultimate
12 customer experience with high-value products and
13 services; and our profit priority, or to deliver
14 very strong financial results, which I'm proud to
15 say we have done in the last six months since the
16 acquisition. So we're very pleased with our
17 overall success on our 3P priorities.

18 [Reference: PowerPoint Slide 6]

19 So how will Frontier win in South Carolina?
20 By offering a great value to our customers and
21 great products. We are very truly a customer-
22 focused company. You will hear, when you call one
23 of our employees and get their voice-mail -- most
24 people leave on their voice-mail, it's give their
25 name and ask, "How can I help you?" It's a slogan

1 we try to live by at Frontier. We serve as a
2 business partner in our communities. We
3 demonstrate our superior service model. We deliver
4 a great product at a great price. Local engagement
5 -- as I said earlier, we are actively becoming a
6 part of every community that we serve. We very
7 quickly and aggressively deployed high-speed
8 Internet to the Carolinas, to areas that were not
9 served at the time of the acquisition in July, and
10 we're incredibly excited about the future of
11 Frontier in South Carolina.

12 [Reference: PowerPoint Slide 7]

13 **MR. PACE:** Before John gets into the actual
14 broadband overlay that has been done in the state
15 -- and it's quite impressive -- I do want to talk
16 about what some would say is the least dynamic part
17 of the presentation, but I would disagree, because
18 it is a good story about service quality. And the
19 service quality of this company is important, and
20 it was one of the public-interest commitments we
21 made during the hearing.

22 There are two reports that we do file here.
23 One of them is the standard Code service reports,
24 and the held-applications and availability-of-
25 service reports that I believe all the LECs file.

1 The other one you'll see in here became a part of
2 the requirement for a two-year period, and part of
3 the order -- 10(d) of the order -- which is five or
4 six metrics from some ARMIS statistics.

5 [Reference: PowerPoint Slide 8]

6 So here is the report filed out of the Statute
7 103-618 and -619. This comes in from every local
8 exchange company, and I would say, as you look at
9 this, you can look -- June back is the Verizon
10 reporting period; July forward is the Frontier
11 reporting period.

12 We take these service quality metrics to be
13 very important, and they are a big deal, because it
14 talks about retention of customers; it talks about
15 commitments we make to customers. And they are
16 imperative that these -- it's imperative to us to
17 keep these service standards where they are, just
18 by the very nature of competition in the market.

19 So I would say that the three that I would
20 point out, and some of the -- you certainly can
21 read it. The ones that rise to the level of day-
22 to-day importance, not that any of them do, would
23 be what I would say is the installation, percent
24 regular service installs met within five days. You
25 know, we are keeping those in the 91-92 percentile.

1 And that is a big deal, to make those service
2 installs, those new service installs, within a
3 five-day period, as required.

4 The service order commitments met, those could
5 be installs, repair, or maintenance. Again, 95-96
6 percentile here in the last quarter of 2010. The
7 other one that is of huge importance is the
8 maintenance metric, out-of-service cleared in 24.
9 That one has been a big focus for the operations
10 side and some of John's folks on the customer-
11 service side have paid particular attention to
12 that. I would note that prior to transaction, that
13 metric was in the 86-87 percentile; and now, in the
14 last three months, we're running 92-93. That's a
15 testimony to some of the changes John's team has
16 put in place with the guys who are on the ground
17 and actively clearing troubles and meeting service
18 order commitments and installing services.

19 [Reference: PowerPoint Slide 9]

20 The last slide is this one that is a function
21 of the order. And these are additional
22 requirements that we report quarterly, and these
23 are FCC ARMIS type metrics. Some of them get to
24 the same point of the previous slide, but I would
25 point out that these are additional requirements,

1 reporting requirements, as part of the order, for a
2 two-year period. I would note that installation
3 interval, which is from the day placed to when the
4 installation is completed, is under a day now.

5 Percent install commitments not met is under 2
6 percent. CTRR is "customer trouble report rate"
7 per 100 lines. That is an industry FCC reportable
8 metric, and we are at 1.6 in December. That's
9 great.

10 Complaints, those would be formal complaints
11 that are brought to the attention of April and
12 those at the ORS. You can see those, per month,
13 are minimal. And out-of-service repair interval,
14 that number six is a metric from when it's reported
15 to cleared, on an hourly basis. So there's 20, 19
16 hours, to clear out a service report. And those
17 would be out of service -- completely out of
18 service.

19 So again, the customer-op side of our house
20 now is doing an unbelievable job. It's important
21 to Frontier to keep these metrics what they are.
22 We've got enough competition out there that, you
23 know, a failure to meet a commitment is a recipe
24 for getting your customers called by another
25 company. So we continue to be diligent with

1 service quality. It's important. Competition
2 requires it. And it's part of the Frontier model
3 to make -- when we make commitments to customers,
4 we are there when we say we're there.

5 And John can talk about some on-the-ground
6 actual broadband investment that's been done in the
7 State.

8 [Reference: PowerPoint Slide 10]

9 **MR. SWALLOW:** Okay. So I'd like to talk about
10 what we've been doing in the past six months, as
11 far as meeting our regulatory commitment, and also
12 talk about what our plans are for 2011.

13 I'm incredibly proud about what we've done
14 over the past six months, as far as expanding
15 broadband. When we started the journey in July, we
16 had 68,501 households, which was 46.4 percent of
17 the households covered. Between July and December
18 of 2010, we've added an incremental 37,406
19 additional households, which brings the overall
20 coverage to 72.2 percent, or 105- -- nearly 106,000
21 households by the end-of-year 2010. So we've gone
22 from 68,000 to 106,000 in six short months.

23 In 2011, we're planning for an additional
24 19,455 homes which we will cover, which will get us
25 to a penetration rate, a coverage rate, of 85.5

1 percent, and that will bring us to 125,000 homes
2 that we will cover. So a starting point of 68,000;
3 by the end of 2011, we will be covering 125,000
4 homes in South Carolina. So South Carolina was one
5 of Frontier's most aggressive build plans, and I'm
6 glad to say that we were able to execute on that
7 plan very well. We're now offering high-speed in
8 many communities where it was not available, and
9 we'll talk about those specific communities later.

10 [Reference: PowerPoint Slide 11]

11 So what do we define as broadband deployment?
12 What constitutes broadband deployment? It's
13 projects with the purpose of increasing household
14 accessibility, getting more households we can offer
15 it to; projects that increase bandwidth, getting
16 faster speeds; backbone projects that support the
17 acquired Verizon properties but are part of the
18 existing Frontier infrastructure; and overall
19 project categories that include DSLAM placements,
20 OSP fiber builds, local and regional transport
21 improvements, circuit implementation, et cetera.
22 Those are the components of broadband deployment.

23 [Reference: PowerPoint Slide 12]

24 We've also made some very significant
25 infrastructure improvements in our South Carolina

1 network. We've greatly increased -- enhanced the
2 transport capabilities between offices. We've
3 enhanced backhaul, which allows greater residential
4 and business speeds. Trunking capabilities have
5 been very much increased. And overall, we
6 redesigned our South Carolina network, Myrtle Beach
7 being the hub of that network and the point that
8 connects to the rest of the national Frontier
9 Communications network. 29 DSLAMs, nine
10 aggregators, lots of plant projects. But we've
11 made -- in addition to the HSI, we've made some
12 significant improvements to the overall network, to
13 improve the service quality to our customers in
14 South Carolina.

15 **MR. PACE:** And let me say one thing about
16 this. This is part of the infrastructure that --
17 this type of construction has to be done before we
18 can even get the broadband to the actual customers'
19 homes in an efficient way. This was some network
20 that probably had -- certainly had not been done,
21 it needed to be done, and soon after the
22 transaction we saw upgrades to the major hubs of
23 this State to backhaul this traffic back to the
24 POPs in Atlanta. So this is the work that has to
25 be done and the capital dollars that have to be

1 done before we deliver the broadband to end users,
2 and you'll see the sites where we ended up making
3 that investment.

4 [Reference: PowerPoint Slide 13]

5 **MR. SWALLOW:** So as I said, this is the new
6 network redesign. It gives us the ability to
7 better serve our customers. More customers;
8 faster, better speeds; and Myrtle Beach is now the
9 primary hub for statewide communication and
10 distribution onto the Frontier network.

11 [Reference: PowerPoint Slide 14]

12 This is a slide which shows the sites that we
13 deployed in 2010. As I stated earlier, there were
14 -- there's a total of 146,000 households within
15 Frontier's service area. June 2010, we served
16 68,501 households, 46 percent. At the end of the
17 year, with the addition of these sites, these new
18 broadband sites, we're now serving 106,000
19 customers, which is 72 percent of the households in
20 our footprint. Our total capital investment in
21 2010 in the Carolinas was \$9 million.

22 [Reference: PowerPoint Slide 15]

23 The capital expenditure consists of HSI build-
24 out, backbone improvements, plant improvements,
25 infrastructure, and basically improving the South

1 Carolina network which needed the improvement, and
2 we've made the investment to the tune of \$9
3 million.

4 [Reference: PowerPoint Slide 16]

5 This is a slide that shows exactly where the
6 households are that we are now covering. These are
7 locations that we just recently turned on. Many of
8 these locations were not served with broadband.
9 I'll point out Hollywood, just as an example. That
10 area had no broadband. We were there this past
11 weekend with a -- having an event in the middle of
12 Hollywood, where we had a tent and were meeting
13 with new potential HSI -- high-speed Internet --
14 customers. And there's numerous -- several areas
15 that we built in 2010 that were without any
16 broadband coverage, which we are now covering.
17 Some of these are expanded areas, and some of these
18 are new areas, but the total households,
19 incremental, again: 37,406.

20 **MR. PACE:** Like John said, there are some of
21 these sites that are very tiny sites; there may be
22 20 or 30 or 50 households served out of there, and
23 there were none -- you know, there was no broadband
24 from that remote out. A good many of those
25 represent households that had no access before, and

1 that was the intent of the initial investment,
2 certainly.

3 [Reference: PowerPoint Slide 17]

4 **MR. SWALLOW:** This is a slide that shows what
5 our 2011 build plan looks like. I think the
6 important take-away from this slide is that, by the
7 end of 2011, we will be serving another 19,455
8 households, 85.5 percent penetration of the
9 households that we serve. And these are sites that
10 are all being worked on right now, with various
11 dates as far as when they will actually be turning
12 on. So this gives you an idea of where we will be
13 at the end of 2011. Some of these areas --
14 Winnsboro -- again, several of these areas are
15 areas that currently do not have HSI broadband at
16 all.

17 [Reference: PowerPoint Slide 18]

18 Wanted to share with you some of our basic
19 pricing. Frontier strategy is to be -- basically
20 is to be competitive in the marketplace. So these
21 are some of our basic pricing, our Starter Plan,
22 our Power Plan and our Turbo Plan. But this
23 industry, I learned very quickly, is driven by
24 promotions, so we need to compete with our
25 competitors in the marketplace, so many of the new

1 -- many customers that sign up for new services are
2 not necessarily paying standard rates; they're
3 paying some promotional rate that is in the
4 marketplace which we launch to acquire new
5 customers. But this is just a snapshot of what our
6 standard pricing is in the marketplace.

7 [Reference: PowerPoint Slide 19]

8 As an example of what the promotions are, we
9 are very aggressive at trying to acquire new
10 customers in South Carolina. We made a \$9 million
11 investment, and in order to get our investment
12 back, we need to add as many customers as we
13 possibly can as quickly as we possibly can.

14 So this is a promotion that we're actually
15 running right now; we're calling this promotion *TV*
16 *Madness*. And if a customer signs up for Frontier
17 service, they are eligible -- depending on what
18 promotion they sign up for -- to get a free
19 television set, a 32-inch TV, or a free laptop
20 computer, depending on which one of those two the
21 customer is most interested in. I will tell you
22 that, so far, most people have asked for the
23 television set, the TV set. I think -- at least
24 this is my reason I think that is, is laptops are a
25 little more of a personal item, sometime. People

1 have a certain type of laptop that they want, a
2 certain manufacturer, might want an Apple, might
3 want an HP. And the prices have dropped
4 dramatically, so people can afford to buy laptops,
5 where everybody can use a new 32-inch flat-screen
6 TV to use in a different room of their house.

7 So most people are signing up for the free TV
8 set. We just decided yesterday we're going to
9 expand this prom- -- continue this promotion until
10 April. So this has been going on since the
11 beginning of the year, and we're going to continue
12 doing it until April. We're excited about the
13 early results, but where this is really, really
14 doing incredibly well is in the sites that we're
15 turning on where there was no broadband at all, so
16 customers are really stepping up to this promotion.
17 It gives them an added incentive to subscribe to
18 services from Frontier.

19 [Reference: PowerPoint Slide 20]

20 With that, that concludes our update on
21 broadband and an introduction to the new Frontier.
22 And we're anxious to answer any questions that
23 anyone may have concerning our service, our plans
24 for the future, and our broadband deployment for
25 2010.

1 **CHAIRMAN HOWARD:** Commissioner Mitchell.

2 **COMMISSIONER MITCHELL:** Thank you, Mr.

3 Chairman. Certainly, thank all of you for being

4 here. That was a very excellent presentation.

5 I've been very interested in the distribution of

6 broadband in the State, particularly rural areas,

7 since I've been on the Commission, and it certainly

8 makes me feel real good when you speak about

9 demonstrating that to the rural areas.

10 In your first plan here that I believe you had

11 drawn off, which was your South Carolina feeder

12 circuits, that slide there -- if you'd go back to

13 that, the feeder circuits, where it showed

14 everything feeding out from Hollywood, Bowman, or

15 something?

16 **MR. SWALLOW:** [Indicating.]

17 [Reference: PowerPoint Slide 12]

18 **COMMISSIONER MITCHELL:** -- what's your plan

19 for the western part of the State? I mean, it

20 looks pretty one-sided there, as you sit here and

21 look at that. Future plans there, I see you have

22 McCormick on hold and Abbeville on hold. Is there

23 an explanation for that, or what -- or future plans

24 in those areas, or what's -- could you just expand

25 on that a little bit?

1 **MR. SWALLOW:** Well, I think our plans are to
2 -- you know, we prioritized where we could build
3 quickly and where our customers were asking for
4 services. So, you know, our plans are certainly to
5 continue building and continue offering high-speed
6 where we can in South Carolina, but, you know, we
7 looked at the State and said, "Where is the biggest
8 need? Where can we deploy quickly?" And that's
9 what we did in 2010 and that's what we're going to
10 continue to do in 2011, and then we'll be -- we'll
11 continue to expand in South Carolina as long as
12 we're successful in South Carolina, and the
13 indications are that we're going to be very
14 successful.

15 **COMMISSIONER MITCHELL:** Universal service
16 funds, are they a part of this, state and Federal
17 funds? Or do you apply for universal service
18 funds? Could you tell me about that? Or any plans
19 to, or what's the situation?

20 **MR. PACE:** Well, first off, the investment
21 that was done here was outside the scope of any
22 universal service fund. These are pure capital
23 dollars that Frontier had planned.

24 **COMMISSIONER MITCHELL:** Okay.

25 **MR. PACE:** And, you know, we are watching

1 what's going on at the Federal level to see what
2 the National Broadband Plan and some reforms to
3 universal service do for injecting -- moving
4 broadband out into the rural areas, and we've been
5 following that through the NPRM and the Broadband
6 Plan. But these are pure capital dollars that
7 Frontier clearly had designated. I would say that
8 -- as John said, there were four states that
9 substantial dollars were spent in, in the first six
10 months, and South Carolina was one of them, and I
11 believe West Virginia, Indiana, and Oregon were the
12 other ones.

13 **COMMISSIONER MITCHELL:** So that was pure
14 capital, and no stimulus money was involved in
15 that?

16 **MR. PACE:** It was not. In fact, Frontier --
17 by the time the transaction happened, a lot of the
18 applications at that time were over with. Verizon
19 did not elect to apply for stimulus funding. I
20 believe Frontier applied for some stimulus funding
21 in West Virginia and one of the Midwest states.
22 That one did not go through, but South Carolina did
23 not include any stimulus dollars at all.

24 **COMMISSIONER MITCHELL:** And I wanted to ask
25 you about your figure, the 72.2 percent that you

1 have in the slide, 2010 build. And that's -- I
2 assume that's speaking of the -- is that households
3 y'all -- 72 percent, is that -- tell me -- speak to
4 me about that number, exactly what that means.

5 **MR. SWALLOW:** There's 146,000 households
6 within our Frontier serving area.

7 **COMMISSIONER MITCHELL:** Right.

8 **MR. SWALLOW:** And we will serve -- at the end
9 of 2010, we will have -- 72 percent of those
10 households will be covered. When we -- right after
11 the -- when the acquisition occurred, we were
12 covering 46 percent, so we've made some fairly
13 significant improvements in the number of folks
14 that can now get high-speed Internet service from
15 Frontier.

16 **COMMISSIONER MITCHELL:** What does your overall
17 map show, as far as the percentage for the State of
18 South Carolina, as far as broadband coverage? Or
19 do you have one, as far as the total coverage? I
20 mean, I hear a lot of different numbers tossed
21 around there. Do you all have a number that -- as
22 far as coverage in the State of South Carolina?

23 **MR. SWALLOW:** Including all services?

24 **COMMISSIONER MITCHELL:** All sources.

25 **MR. SWALLOW:** I'm not sure what that number

1 is. I can try to get that, but I couldn't do --

2 **COMMISSIONER MITCHELL:** You wouldn't --

3 **MR. SWALLOW:** -- that right now.

4 **COMMISSIONER MITCHELL:** -- know it off the --

5 **MR. SWALLOW:** No.

6 **COMMISSIONER MITCHELL:** -- top of -- yeah.

7 Yeah, I just thought --

8 **MR. SWALLOW:** That would be all of our
9 competitor services in the State.

10 **COMMISSIONER MITCHELL:** Right. I was just
11 looking at the overall broadband picture in the
12 State of South Carolina. I mean, we've had
13 different numbers tossed at us from time to time.
14 And, quite frankly, sometimes that depends on the
15 speed of that line. I've even had numbers -- we've
16 had numbers tossed at us from 93 percent, and then
17 you hear others -- in fact, I saw a special on TV
18 where South Carolina ranked way down, thirtieth,
19 because it wasn't the speed -- the speed variation
20 between the three and four made all the difference.
21 You've probably seen those same numbers, so --

22 **MR. SWALLOW:** Yeah. I mean, our focus, I
23 guess -- I don't know that number for you. And, of
24 course, our focus has been providing as much
25 service as we possibly can in the areas --

1 **COMMISSIONER MITCHELL:** Right.

2 **MR. SWALLOW:** -- where we're able to do that.

3 **MR. PACE:** Commissioner Mitchell, I would say
4 that actually yesterday one of our Federal folks,
5 and Ken Mason who I roll up to, out of Rochester,
6 said that NTIA had just released their map for each
7 state, and we're starting to look at those maps on
8 a state-by-state basis, so if there's any accuracy
9 at all to what the feds did, we just got hold of
10 those maps as of yesterday or last week. So each
11 state is going to take those maps from NTIA and
12 start looking at them to see if they're accurate.
13 And there's where you're going to see some numbers
14 on broadband availability, from all providers, at a
15 state level.

16 **COMMISSIONER MITCHELL:** And are you aware of
17 any stimulus money that might become available this
18 next year? I've heard some numbers tossed around
19 with the Telecom Committee. And are you all
20 interested in pursuing those?

21 **MR. PACE:** Oh, absolutely. I mean, we, in
22 some other states through some other agencies,
23 certainly used some Federal money to put maps
24 together before our -- you know, we would -- you
25 know, I think there's this notion that you're

1 better off having the providers in the State do
2 some oversight, putting your own maps together,
3 although there's been -- NTIA has just done that.
4 But as it relates to seeking dollars? Absolutely.

5 **COMMISSIONER MITCHELL:** Any comment on the
6 Broadband Plan, as far as the Federal Universal
7 Service Plan converted over to Connect America?
8 Any comment on that? Do you like that plan? You
9 think it'll work? Or you -- I've heard varying
10 comments. Is your all's company taking a position
11 on that?

12 **MR. PACE:** I think the way we're looking at
13 the Broadband Plan is that we think it puts a
14 sensible path forward out there. We're generally
15 supportive of it. The way we read the National
16 Broadband Plan as it was released last year is it's
17 really, right now -- as it was written -- a series
18 of recommendations, and we've seen that, since its
19 release, there's some real-world problems about
20 implementing the plan as it was put forward, as it
21 relates to problems with USF and intercarrier comp
22 reform. And obviously at NARUC, that gets talked
23 about a lot. But we think those two -- UCC and USF
24 -- have to be dealt with to actually fully
25 implement that plan as it is contemplated.

1 **COMMISSIONER MITCHELL:** And my final
2 question, access reduction was also a part of that.
3 And how -- since, in South Carolina, we did that
4 many years ago, as you might recall, and a lot of
5 times we have to take credit, because South
6 Carolina gets criticized a lot of times for being
7 last, but we were at the forefront of that access
8 reduction many years ago. Does that have any
9 effect, as you perceive now, with the broadband
10 distribution?

11 **MR. PACE:** I think in reality, it does,
12 because there are several states of which I have
13 resp- -- I've got the southeast states -- the east
14 and southeast. Those reforms appear to be
15 happening at the state level in all sorts of forms.
16 Some of them are pure rebalance on the LEC's back;
17 some of them are done in an appropriate way with
18 funds that we think should be put together to make
19 the transition from -- a more viable transition for
20 local exchange companies. So I would say that
21 there's a revenue stream that is getting ready to
22 go away in several states that would put pressure
23 on operations of the business, if that glide path
24 isn't done, you know, appropriately, and if a fund
25 is set up, if the fund isn't set up in a viable way

1 by providers who use the network, then it becomes a
2 troublesome thing for a LEC to simply lose a
3 revenue stream and be forced to rebalance rates to
4 make up for the difference.

5 [Reference: PowerPoint Slide 17]

6 **COMMISSIONER MITCHELL:** And just so I
7 understand, your overall, now, prediction for the
8 end of next year on the percentages, as you have
9 the 72 percent, what's your number there again?

10 **MR. PACE:** 85.

11 **MR. SWALLOW:** 85 percent.

12 **COMMISSIONER MITCHELL:** 85 percent of your
13 territory.

14 **MR. SWALLOW:** Yes, at the end of next year.

15 **COMMISSIONER MITCHELL:** Thank you, very much.
16 Thank you.

17 **COMMISSIONER HAMILTON:** Mr. Chairman?

18 **CHAIRMAN HOWARD:** Commissioner Hamilton.

19 **COMMISSIONER HAMILTON:** Thank you, Mr. Chair.
20 I'm happy to have both of you here today, too, and
21 I'd like to thank you for being willing to come
22 back and make the reports to the Commission to keep
23 us updated. It's always nice to have people doing
24 business who want to do business in South Carolina,
25 and it was pretty evident from the start that

1 Frontier did want to do that, and I want to thank
2 you for that.

3 We had some questions back in 2009 about the
4 field force of Verizon, and I just wonder what the
5 retention rate has been for those people.

6 **MR. PACE:** Let's see. I have a little bit --
7 a lot of these employees roll up through John, but
8 I will tell you what I know. Prior to transaction,
9 we had 167 employees in South Carolina that
10 transferred from Verizon to Frontier. And since
11 close, we've hired 11, so we've got 178 total
12 employees in South Carolina. Of that total, 34 are
13 management and 144 are associates. So we hired 11
14 from the 167 prior to close. I will tell you that
15 we had 31 Verizon folks retire from when the
16 announcement was made in March to close. And I --
17 31 -- or I would say 30, plus Stan Bugner, would be
18 31.

19 [Laughter]

20 So we had 31 leave prior to close, and 11 or
21 12 -- 11 appear to be rehired since then.

22 **MR. SWALLOW:** And first of all, I'm sorry, but
23 I misspoke on one of the questions. We will be at
24 85 percent by the end of 2011. I forgot what year
25 we were in. So the 85 percent will be this year.

1 **COMMISSIONER MITCHELL:** I understood.

2 **MR. SWALLOW:** But we've hired people for the
3 first time in South Carolina for a long time --
4 salespeople, marketing people -- so we're
5 aggressively trying to grow the business by hiring
6 those types of people that can help us do that.
7 People in Myrtle Beach, people in Simpsonville,
8 Sumter, and throughout the Carolinas.

9 **COMMISSIONER HAMILTON:** Sounds very good.
10 Appreciate it.

11 **MR. SWALLOW:** Thank you.

12 **CHAIRMAN HOWARD:** Commissioner Wright.

13 **VICE CHAIRMAN WRIGHT:** Thank you, Mr.
14 Chairman. I just want to be clear about something
15 that you talked about with Commissioner Mitchell,
16 again, in a follow-up. But year-end 2010, with all
17 the -- I guess the \$9 million that was invested,
18 you're now at 72.2 percent, you added 37,000
19 households; is that correct?

20 **MR. SWALLOW:** That's correct.

21 **VICE CHAIRMAN WRIGHT:** And at the end of 2011,
22 you're going to add another 19,455?

23 **MR. SWALLOW:** That's correct.

24 **VICE CHAIRMAN WRIGHT:** What's the capital
25 investment for 2011?

1 **MR. SWALLOW:** I don't have the capital budget
2 here. It will be several million dollars, but I
3 don't have the exact number.

4 **VICE CHAIRMAN WRIGHT:** Is that something we
5 could get? Would it be an easy number to get?

6 **MR. SWALLOW:** Yes, I can get that number for
7 you.

8 **VICE CHAIRMAN WRIGHT:** Mr. Chairman, would
9 that be appropriate, to get that?

10 **CHAIRMAN HOWARD:** [Nodding head.]

11 **VICE CHAIRMAN WRIGHT:** Thank you.

12 **CHAIRMAN HOWARD:** Mr. Swallow, if you could
13 get that to the Commission, we'd appreciate it.
14 Thank you. Mr. Hamm.

15 **MR. HAMM:** It's certainly an appropriate
16 question. The only request I would make --
17 obviously, that is proprietary data in terms of --
18 we're certainly happy to make the Commission aware
19 of what that kind of a capital budget is, but I
20 would want it treated under the terms of a
21 protective order. But the whole purpose of this
22 kind of proceeding is to help you get the
23 information to get a sense of what we're doing, but
24 I do feel compelled to get up and ask that that be
25 treated in a protected fashion.

1 **VICE CHAIRMAN WRIGHT:** I have no problem with
2 that.

3 **MR. HAMM:** With that caveat, we'll certainly
4 be happy to provide it.

5 **CHAIRMAN HOWARD:** And we agree it should be.

6 **MR. HAMM:** Thank you, Mr. Chairman.

7 **CHAIRMAN HOWARD:** Commissioner Whitfield.

8 **COMMISSIONER WHITFIELD:** Thank you, Mr.
9 Chairman. I want to thank y'all for being here, I
10 guess nearly eight months almost to the day after
11 the formal takeover date. If you could, could you
12 go back to the slide with the feeder circuits that
13 Commissioner Mitchell first asked you about?

14 **MR. SWALLOW:** [Indicating.]

15 [Reference: PowerPoint Slide 12]

16 **COMMISSIONER WHITFIELD:** I think he asked you
17 about Abbeville, specifically, and maybe McCormick,
18 and you've got a little gap there in the center,
19 too, Fairfield and Winnsboro and some of the rural
20 areas there. I think you said you had done those
21 circuits that were the most easily accessible, I
22 guess, or ready to be done. Could you address a
23 little bit more when you might head into some of
24 these other rural areas like he mentioned --
25 Abbeville, McCormick, and some of the center part

1 of the State that's in your territory, Fairfield,
2 Winnsboro, on this map?

3 **MR. SWALLOW:** Well, the 2011 build plan,
4 Winnsboro is on the build plan for early in the
5 year.

6 **COMMISSIONER WHITFIELD:** Okay. Is that the
7 slide where you've got all the --

8 **MR. SWALLOW:** All the --

9 **COMMISSIONER WHITFIELD:** -- locations?

10 **MR. SWALLOW:** -- 2011 locations.

11 **COMMISSIONER WHITFIELD:** I do see a lot of
12 that in there, and some of the rural areas, as
13 well. You've got some rural locations around, I
14 think, Williamsburg County that are probably on
15 there, too, that I noticed. But in terms of the
16 high-speed, when you get to that sheet that has
17 your -- I guess you've got actual months, March
18 '11, September '11, whatever --

19 **MR. SWALLOW:** [Indicating.]

20 [Reference: PowerPoint Slide 17]

21 **COMMISSIONER WHITFIELD:** -- you're getting
22 into -- and as you mentioned, some of these areas
23 have no Internet service at all available. You
24 specifically mentioned Winnsboro, and, of course,
25 you're going to be bringing high-speed Internet

1 into some of these areas. With the promotional
2 items -- as you talked about how a lot of this was
3 promotional driven -- the computer, the TV, what
4 have you, I think you said you were going to extend
5 that to April -- but what about these areas that
6 you don't come into until September or later in the
7 year, how will that affect any of your promotions
8 that you have?

9 **MR. SWALLOW:** We will always have a motivation
10 for customers to purchase service from Frontier.
11 This is -- I came from the wireless industry. I
12 started in this industry a few months ago, and I
13 very quickly learned that this is a promotion-
14 driven business; it's a competitive business. And
15 customers -- in addition to having great quality of
16 service, customers tend to need to be motivated to
17 make that decision. So we know how to do that. We
18 promote well and we will continue to advertise and
19 promote in the new areas that we open up.

20 **COMMISSIONER WHITFIELD:** And in this 2011
21 schedule, is that something that you all feel
22 pretty comfortable in sticking to?

23 **MR. SWALLOW:** Yeah. I would not say we -- the
24 dates may move around a bit. Sometimes there's
25 things that are out of our control, but we

1 definitely feel comfortable that we will have these
2 sites built. They may not be built on the exact
3 month that I have indicated here, but we will -- we
4 will execute on the build plan this year.

5 **COMMISSIONER WHITFIELD:** Thank you. We --
6 certainly, as Commissioner Hamilton said, we
7 appreciate the investment that you ended 2010 with,
8 and we look forward to seeing how you progress.

9 **MR. SWALLOW:** Thank you, very much.

10 **CHAIRMAN HOWARD:** Commissioner Hall.

11 **COMMISSIONER HALL:** Thank you. Thank you.
12 I'm just curious, for the free TV or free laptop, I
13 can't -- what are the conditions of -- I can't read
14 the legalese, and I'm just curious as to what --
15 I'm sure you have a contract and -- how that works,
16 like if you cancel in the middle or what have you.

17 [Reference: PowerPoint Slide 19]

18 **MR. SWALLOW:** Yeah. It's a -- it requires a
19 two-year commitment to your service that you signed
20 up for. If you would cancel before two years, you
21 would be responsible for a portion of the price of
22 the computer and/or the free TV. But it does
23 require a two-year sign-up period, which is kind of
24 industry standard.

25 **COMMISSIONER HALL:** And I have one other

1 question. On the slide with your complaints --

2 **MR. PACE:** [Indicating.]

3 [Reference: PowerPoint Slide 9]

4 **COMMISSIONER HALL:** There. I just see you
5 have very few complaints. Do you know what the
6 nature of those complaints were? You may not know,
7 but I was just curious.

8 **MR. PACE:** I really don't. I don't.

9 **COMMISSIONER HALL:** Okay.

10 **MR. PACE:** They come from April, and Afton,
11 you know, helps clear those. I would say, you
12 know, generally, the complaints that we get are on
13 a daily basis, and they'll come to the operations
14 guys, and those get cleared. I would say, again,
15 those [indicating] rise to the level of something
16 that's not getting addressed, and make their way
17 over to ORS.

18 **COMMISSIONER HALL:** Okay. Thank you.

19 **CHAIRMAN HOWARD:** Commissioner Fleming.

20 **COMMISSIONER FLEMING:** Good afternoon. Well,
21 first of all, I'd like to thank you for a very
22 impressive report of what you've accomplished this
23 past year. And I believe you said you have
24 targeted four states so far, for this kind of
25 aggressive progress.

1 **MR. SWALLOW:** We're actually targeting all of
2 the states that Frontier acquired when the Verizon
3 transaction happened, but the first four states
4 that we aggressively targeted were the states that
5 Stan talked about, including North and South
6 Carolina.

7 **COMMISSIONER FLEMING:** And I'm glad that we
8 were one of those four states. And what I was
9 going to ask you, what are your plans for the other
10 states, in addressing these particular issues?

11 **MR. SWALLOW:** Across the country.

12 **COMMISSIONER FLEMING:** Yes.

13 **MR. SWALLOW:** You know, I honestly do not know
14 the specifics of that, other than I would say that
15 there are commitments that were made that we will
16 -- as we made the commitment in South Carolina to
17 expand broadband services, which we are doing in
18 all of the acquired markets that we acquired from
19 Verizon, we are basically doing the same thing and
20 expanding where we think it is necessary and where
21 we need to provide -- where we need to expand to
22 provide service to customers. So it's all a matter
23 of investing capital, using the capital wisely, and
24 looking for where there are good opportunities to
25 serve customers and good opportunities for Frontier

1 to add customers.

2 **COMMISSIONER FLEMING:** So are you working in a
3 general timeframe for these areas?

4 **MR. SWALLOW:** For the other states?

5 **COMMISSIONER FLEMING:** Uh-huh.

6 **MR. SWALLOW:** You know, I do not have all of
7 the -- you know, I have North and South Carolina,
8 so I can't be as specific with, say, the State of
9 Ohio or what's going on in the State of Oregon or
10 somewhere like that. I don't have all those
11 details. I know the commitments that we make here,
12 and that's what we're really focused on.

13 **COMMISSIONER FLEMING:** Okay. And are you
14 looking at, ultimately, 100 percent coverage in
15 your area here, in South Carolina? Or what do you
16 think it will be?

17 **MR. SWALLOW:** I -- you know, we'll improve
18 from the 85. I don't know that we'll ever be at
19 100 percent. That's -- sometimes it's not
20 economically feasible to provide services in
21 certain areas. So I don't know that that will ever
22 happen. But I know we'll be at 85 at the end of
23 this year, and we'll continue to go from there.

24 **COMMISSIONER FLEMING:** What would you be
25 satisfied with? 85? 90? Higher?

1 **MR. SWALLOW:** No, yeah -- yeah, higher than
2 the 85, you know, but probably -- I don't think I
3 would ever think we would commit 100 percent of all
4 those households. There are just so many issues
5 that come into serving some areas, that it's just
6 not feasible.

7 **COMMISSIONER FLEMING:** Okay.

8 **MR. PACE:** Commissioner Fleming, I would say
9 that Frontier, prior to this transaction, their
10 network before they acquired Verizon was -- I
11 believe the number was 92 percent --

12 **MR. SWALLOW:** 93 percent is what the legacy
13 Frontier properties covered, so that's -- you
14 probably could use that as a benchmark.

15 **MR. PACE:** So, I mean, that was a 2 or 2-1/2
16 million line company that had 92, 93 percent of
17 their lines covered, and they acquired 5-plus
18 million lines from Verizon that I would say was not
19 near that coverage in the states they acquired, so
20 -- they acknowledged that that was their business
21 plan, that was the survivability of the company
22 acquiring those lines, and, you know, that's where
23 they're going to -- that's what we're doing in all
24 the states. This happened to be one of the first
25 ones out of the chute in the first 180 days.

1 **COMMISSIONER FLEMING:** Well, as I said, I
2 appreciate your aggressiveness in South Carolina.
3 Thank you.

4 **CHAIRMAN HOWARD:** Any other questions?

5 [No response]

6 Mr. Swallow, I have one. And to give you a
7 little background, I was never one to make real
8 good grades, so whenever I see somebody with good
9 grades, I become jealous and envious, and I have to
10 question it. If I made a good grade, my mother
11 would say to me, "The test was too easy." I was
12 wondering how these objectives were set. I mean,
13 I'm looking at your service order commitments at 85
14 percent. Who sets those objectives? Are those
15 industry standards? Do you know --

16 **MR. PACE:** [Indicating.]

17 **CHAIRMAN HOWARD:** That's the chart.

18 [Reference: PowerPoint Slide 8]

19 **MR. PACE:** I believe -- are those the
20 objectives here, as set by the Code here, as
21 defined here in South Carolina.

22 **CHAIRMAN HOWARD:** Okay.

23 **MR. PACE:** I believe. So all the LECs are
24 filing these reports with these objectives, as set
25 by --

1 **MR. SWALLOW:** That's correct.

2 **MR. PACE:** -- this Commission.

3 **CHAIRMAN HOWARD:** By our regulation?

4 **MR. SWALLOW:** Yes.

5 **CHAIRMAN HOWARD:** Thank you.

6 **VICE CHAIRMAN WRIGHT:** I would agree that you
7 never have seen a 97 or a --

8 [Laughter]

9 **CHAIRMAN HOWARD:** I would have to agree also.

10 **COMMISSIONER FLEMING:** Depends on what the
11 test is.

12 [Laughter]

13 **CHAIRMAN HOWARD:** Mr. Melchers, you have a
14 comment?

15 **MR. MELCHERS:** Yeah, thank you. Thank you,
16 Mr. Chairman. I'll address this to Mr. Hamm.
17 Looks like maybe the slide on page 17 -- it's
18 entitled "South Carolina - 2011 build."

19 **MR. SWALLOW:** [Indicating.]

20 [Reference: PowerPoint Slide 17]

21 **MR. MELCHERS:** Thank you. Now, this is
22 entitled both on the screen and on the copies that
23 have been handed to the Commission "Proprietary -
24 Subject to Protective Agreement."

25 **MR. HAMM:** Yes.

1 **MR. MELCHERS:** Is that claim being made as to
2 what has been presented to the Commission? Because
3 typically this record would be made public.

4 **MR. HAMM:** Yes. This particular document --
5 excuse me, let me stand up and be respectful. We
6 do believe that this document, even though it's
7 being presented to the Commission, that it is -- in
8 an effort to give you as straightforward data as we
9 could -- but we do deem this to be a protected
10 document. Obviously there's a lot of folks out
11 there that are interested in -- because as you'll
12 see the details in there, you can see exactly where
13 the plan is. And that I believe is the only
14 document in the series that contains that heading,
15 and we would respectfully ask the Commission to
16 treat that as -- and if I could approach the
17 screen, just to give you a sense [indicating].

18 Obviously, what we want to do is protect this
19 information over here [indicating] and what the
20 codes are, because that identifies exactly what
21 we're doing both as a business strategy and the
22 build strategy, and we think that ought to be
23 treated as protected. But we don't have any
24 problem with the names, but anything to the right
25 of where you see the "Winnsboro," and whatever, we

1 would deem all of that to be protected information.

2 But again, we felt like, in an effort to be as
3 straightforward and give you as much information as
4 possible, we placed it on that particular document.
5 You have anticipated something that I was going to
6 address when the Chairman told us we were coming to
7 an end, so thank you.

8 **MR. MELCHERS:** Ms. Reibold, with ORS, has that
9 been coordinated with ORS, in regard to the
10 compilation of the transcript and the record?

11 **MS. REIBOLD:** It has not, but I'll be glad to
12 discuss that with you after the hearing, if that
13 suits the Commission.

14 **MR. MELCHERS:** And same question to both of
15 you all with regard to the material that's been
16 requested on capital expenditures for 2011. Would
17 you propose that it be handled in the same way?

18 **MR. HAMM:** Yes, I would. That is very
19 protected, but again, we're prepared to give the
20 Commission that data to look at, but we would want
21 that treated as protected data, because there isn't
22 a competitor in the State that's going to give us
23 that same information. Is that responsive?

24 **MR. MELCHERS:** Yeah. And I would ask Ms.
25 Reibold the same question.

1 **MS. REIBOLD:** No objection to the protective
2 treatment, by ORS.

3 **MR. MELCHERS:** Great. Thank you.

4 **COMMISSIONER MITCHELL:** I have just one.

5 **CHAIRMAN HOWARD:** Commissioner Mitchell.

6 **COMMISSIONER MITCHELL:** Yeah. You know, we
7 talked about the coverage throughout the State and
8 the prediction, and I asked you and you said you
9 might could give me a number. Could we have a
10 late-filed exhibit on what y'all feel the
11 percentage coverage is in the State of South
12 Carolina for broadband? Could you produce that, or
13 could --

14 **MR. HAMM:** Can I attempt to answer that, Mr.
15 Chairman?

16 **CHAIRMAN HOWARD:** Yes, you can, Mr. Hamm.

17 **MR. HAMM:** Mr. Mitchell, if you're asking can
18 we sort of get our best estimate of what it is,
19 we'll be happy to do that. But as Mr. Pace and Mr.
20 Swallow have indicated, we are not privy to all the
21 other -- at least, we've seen some statewide data,
22 and we'll be happy to assemble that and let you
23 take a look at it. I just don't want to make any
24 representation that we're 100 percent certain that
25 that particular data is solid.

1 **COMMISSIONER MITCHELL:** And that's all we've
2 had, I think, from the other people, is just their
3 idea --

4 **MR. HAMM:** Best guess?

5 **COMMISSIONER MITCHELL:** -- of what -- yeah,
6 absolutely, no firm foundation.

7 **MR. HAMM:** Okay. Well, we would certainly be
8 happy to do that, as long as we're not making a
9 representation that we know it to be absolutely
10 correct, because like you, I have seen data for
11 South Carolina that swings in a lot of different
12 directions, and it depends on data speed and all
13 kinds of metrics in terms of how some of those
14 calculations are. But if that's what you want,
15 we'd certainly be happy to do that, with the
16 understanding that it will be our best estimate
17 based on general data, our own data and industry
18 data, and we'll be happy to share that with you.

19 **COMMISSIONER MITCHELL:** And there's also been
20 certain maps that have already been, I think,
21 assembled --

22 **MR. HAMM:** Yes.

23 **COMMISSIONER MITCHELL:** -- in the State of
24 South Carolina --

25 **MR. HAMM:** Yes. And Mr. --

1 **COMMISSIONER MITCHELL:** -- bringing those
2 numbers together. But I just -- I guess I was
3 wondering if you concurred with those numbers, or
4 if you didn't or not. That's the reason I was
5 asking for some --

6 **MR. HAMM:** Well, as Mr. Pace indicated, some
7 of those most recent maps have literally just come
8 out, so we really haven't had an opportunity to
9 sort of evaluate and determine.

10 I know you'd be shocked to hear that when some
11 national organization, Federal Government or
12 otherwise, makes some sort of pronouncement, we
13 have learned to be cautious about assuming any of
14 it to be correct.

15 **CHAIRMAN HOWARD:** Any other questions?

16 **COMMISSIONER MITCHELL:** Seems like you could
17 give me a number from zero to 100.

18 [Laughter]

19 **MR. HAMM:** I promise you we will try to do
20 much better than that.

21 **VICE CHAIRMAN WRIGHT:** There's just one
22 clarifying question we'd like to have up here. We
23 were looking at your plans, you know, your three
24 different plans: the Starter Plan, the Power Plan,
25 and the Turbo Plan.

1 **MR. HAMM:** The pricing plans?

2 [Reference: PowerPoint Slide 18]

3 **VICE CHAIRMAN WRIGHT:** And you see where you
4 go from your 1 Mbps all the way to 3 for your
5 second plan, and then to 7.1 for the Turbo? What
6 is your actual -- what is your speed, your actual
7 speed? How fast is this thing, you know? I guess,
8 informationwise, how -- you know, high-speed
9 Internet, you know, can you give me a number how
10 fast it really is, how much stuff you can get
11 across it and how quickly?

12 **MR. SWALLOW:** I'm not sure I know how to
13 answer that.

14 **MR. PACE:** Yeah, there used to -- I really
15 don't --

16 **VICE CHAIRMAN WRIGHT:** I mean, for example, I
17 -- when -- if you're on BellSouth, it's one way,
18 and then if you go to Time Warner, it can like
19 really kick it up, here in town. How does yours
20 compare, I guess, is my question there.

21 **MR. SWALLOW:** Well, we compare very favorably
22 with our competition, as far as speeds. That's --
23 that -- the speeds --

24 **VICE CHAIRMAN WRIGHT:** Is it going to
25 determine -- depend on where you're at, and where

1 you're at on the line and that kind of stuff?

2 **MR. SWALLOW:** Yes, that can be a factor,
3 absolutely. But, you know, customers buy based on
4 availability and speed. So, you know, to be
5 successful in this industry, you need to compete on
6 speed.

7 **VICE CHAIRMAN WRIGHT:** So if I'm reading
8 between the lines, depending on where you're
9 deploying and who your competition is and what
10 they're offering, you may --

11 **MR. SWALLOW:** Yes --

12 **VICE CHAIRMAN WRIGHT:** -- ramp up or ramp
13 down, depending on --

14 **MR. SWALLOW:** -- that's true, and also based
15 on price.

16 **VICE CHAIRMAN WRIGHT:** Right.

17 **MR. SWALLOW:** Yes.

18 **VICE CHAIRMAN WRIGHT:** Okay. All right.
19 That helps me, thank you.

20 **COMMISSIONER MITCHELL:** I have one follow-up
21 to that.

22 **MR. MELCHERS:** You're sounding like a lawyer.

23 **COMMISSIONER MITCHELL:** Is that based on --
24 we've heard some people testify that it's also
25 based on how close you are to pedestals that might

1 have been run, in rural areas, to schools, as far
2 as the speed of the line that you can receive at
3 your house, if there's --

4 **MR. SWALLOW:** The further away from -- yes.

5 **COMMISSIONER MITCHELL:** What I'm saying, isn't
6 that part of it, as far as --

7 **MR. SWALLOW:** Yes, the farther away could
8 impact the speed, which could make for slower
9 delivery.

10 **COMMISSIONER MITCHELL:** In particular, rural
11 areas where it's been already run, major lines --

12 **MR. SWALLOW:** Yes.

13 **COMMISSIONER MITCHELL:** -- to schools?

14 **MR. SWALLOW:** And that's why some areas,
15 that's why we probably will never get to 100
16 percent; by the time you did that, the speed would
17 be so not acceptable.

18 **MR. PACE:** I would say one thing to add there
19 is that I believe we're selling our lowest speed
20 out to 18,000 feet, so --

21 **MR. SWALLOW:** That's correct.

22 **MR. PACE:** -- you know, 18,000 feet is the
23 limit of a 1 meg offering. And to back it back
24 into the network to a 7 meg, you're looking at
25 needing to be 7-8-9,000 feet from the office there.

1 So the answer to your question, Commissioner
2 Wright, it all is a function of where you are in
3 the network. And beyond 18,000 feet, even though
4 that switch may be loaded with lots of investment,
5 right now technology does not provide a very viable
6 DSL connection beyond 18,000 feet.

7 **VICE CHAIRMAN WRIGHT:** Thank you.

8 **CHAIRMAN HOWARD:** Any other questions?

9 [No response]

10 Mr. Swallow, Mr. Pace, I too want to thank you
11 for coming in. It was a very good and positive
12 presentation. Thank you again for your time and
13 your preparation. Mr. Hamm, thank you for
14 supporting it. Thank you, very much.

15 **MR. HAMM:** Thank you, Your Honor.

16 **CHAIRMAN HOWARD:** If there's no other
17 business, this briefing is adjourned. Thank you
18 for coming.

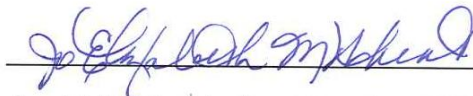
19 **MR. HAMM:** Thank you.

20 [WHEREUPON, at 3:32 p.m., the proceedings
21 in the above-entitled matter were
22 adjourned.]

C E R T I F I C A T E

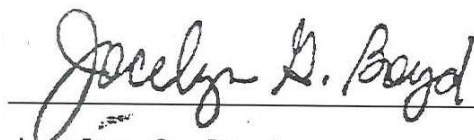
I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing held in the above-captioned matter before the Public Service Commission of South Carolina.

Given under my hand, this the 24th day of February, 2011.



Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:



Jocelyn G. Boyd,

CHIEF CLERK/ADMINISTRATOR